Carma Developers Ltd. Annual Report 1975

Contents

Cover:
Sunrise over "The Woodlands" community now under development by Carma in southwest Calgary. This 380-acre parcel is bordered by Canyon Meadows golf course and the Fish Creek Provincial Park.

Carma Developers Ltd. Head Office, **Calgary,** 1700 Varsity Estates Drive N.W.; **Edmonton,** 11104 - 107 Avenue; **Hamilton,** 11 Hess Street South; **Vancouver,** 8306 - 120 Street, Surrey; **Prince George,** 1488 - 4 Avenue.

Highlights

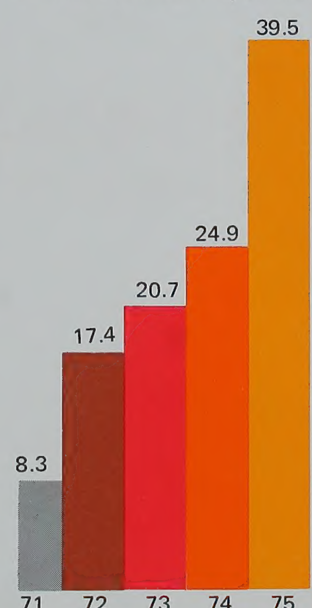
FINANCIAL

	1975	1974
Total revenue	**$39,487,000**	$24,889,000
Net income	**$ 7,266,000**	$ 3,871,000
Net income per common share	**$ 2.82**	$ 1.60*
Cash flow per common share	**$ 4.50**	$ 2.05*
Common shares outstanding at year end	**2,669,721**	2,427,503*

*Net income per share, cash flow per share and number of common shares outstanding at year end are restated to reflect the issue of 3 common shares for each 2 common shares outstanding at September 3, 1975.

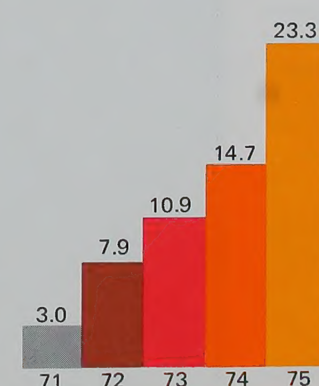
OPERATING

- Multi-family sites contribute to increased sales.
- Marketing pool of 30 builder-shareholders established in Hamilton.
- Land bank expanded to 12,110 acres with major co-ownership transaction in Edmonton and acquisitions in Calgary.

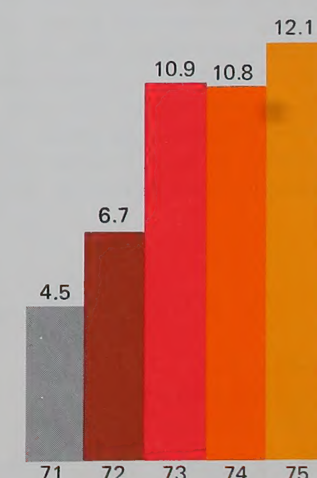


TOTAL REVENUE
in millions of dollars

NET INCOME
in millions of dollars



SHAREHOLDERS' EQUITY
in millions of dollars



LAND HOLDINGS
in thousands of acres

Attractively-treed area bordering Carma's planned Woodlands community at St. Albert.

To the Shareholders

Carma Developers Ltd. recorded net income of $7,266,000 or $2.82 per share on total revenue of $39.5 million in 1975. This compares to net income of $3,871,-000 or $1.60 per share on total revenue of $ 24.9 million in the previous year. Cash flow was $4.50 per share compared to $2.05 in 1974. Sale of serviced single-family lots in Calgary, Edmonton and Vancouver was the major source of income. However, sales of serviced multi-family sites became an important contributor to company income, particularly in the last quarter of the year. Carma paid a regular quarterly dividend of 10 cents per Class A convertible common share and 8½ cents per Class B convertible common share October 15, 1975, and February 16, 1976. Single-and multi-family lots under option at the year end were valued at approximately $10.5 million, and it is anticipated that the majority of these will be converted to sales in the first part of 1976.

The vigorous Alberta market was an important factor contributing to Carma's record 1975 performance. Targets were exceeded substantially in Edmonton and Calgary where positive economic conditions continue to combine with steady increase in population. The company's Vancouver district exceeded targets, recording sales in the Wildwood Park community at Pitt Meadows. However, a decline in over-all Vancouver area housing starts was reflected in lower sales recorded by Carma's subsidiary, Sur-Del Builders Development Ltd. A builder-shareholders marketing pool was established in Hamilton in 1975.

Carma made an important addition to its land holdings in Edmonton in 1975. A co-ownership transaction resulted in Carma holding an undivided half interest in 3,044 acres of land for residential development in Fort Saskatchewan and the Clareview neighborhood development in Edmonton.

Carma increased its total holdings from 10,800 acres to 12,110 acres with acquisitions in Calgary, Edmonton, Vancouver and Prince George.

The federal government increased the ceiling on loans for AHOP projects in 1975. This has resulted in increased builder interest in this predominately higher-density section of the market. Government emphasis on lower priced homes and optimum densities has resulted in a higher percentage of multi-family sites being planned into new Carma communities. However, the company has not lost sight of the fact that individuals recognize the purchase of a detached single-family home as perhaps the most attractive investment opportunity available to them, as well as their preferred type of accommodation. Carma will continue to serve this traditional, high demand section of the middle-and upper-income market while also providing sites for other forms of housing to meet the requirements of its builder-shareholders and the public. Government involvement in 1975 was directed largely toward stimulating the demand side of the industry, particularly with respect to lower-cost units. Unfortunately, only little progress was noted in the approval processes which would expedite increases in supply and, hence, help control prices. Carma will make it its policy to operate as effectively as possible within the spirit of the federal government's program of anti-inflation guidelines.

We regret to announce the death of Mr. George Heywood of Victoria, B.C. A retired partner of Richardson Securities Ltd., Mr. Heywood was a valued member of the Carma board of directors and his contribution will be missed.

The outlook for 1976 is excellent. Carma has proved that it can adjust to changing market conditions and diversify from virtually sole reliance on development of single-family lots into innovative, higher-density development sites to meet the needs of large-and small-volume builders. At the same time, the Carma formula of builder-shareholder marketing pools and local advisory boards has proved successful in new cities, as well as Calgary where it originated.

Your company has the resources and management capability required to take advantage of the opportunities expected in 1976. The Carma commercial division, formed in 1975, will begin development of income-producing properties for the company. New debt capital sources will be sought to supplement present financing capability and allow Carma to continue its success in producing quality housing for Canadians.

J. Combe

C.J. Combe,
Vice-Chairman and
Chief Executive Officer

Roy Wilson

Roy Wilson,
President

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1. Hamilton district's Albion Estates community occupies attractive setting on the Niagara Escarpment.

2. Construction of services in the Braeside Estates community in southwest Calgary began in summer, 1975, and many homes were under construction by year end.

3. Carma's golf course community, Varsity Estates, was the site of HUDAC Calgary's 1975 "Parade of Homes".

Review of Operations

The Carma marketing system has now proved itself in regions outside of Calgary where it has operated successfully since 1958. Carma's method of operation is based on marketing contracts with active homebuilders who are also shareholders in Carma. Under the marketing contract, builder-shareholders are entitled to select and purchase lots offered for sale by Carma on the basis of their shareholdings registered in a specific division. The company uses a draw system for the allocation and order of selection of lots by builder-shareholders. Each builder represented at a draw is entitled to be allocated and may, but is not obligated to, purchase a specific number of available lots determined by the ratio of his Carma shares registered in that division and the total number of shares of all builder-shareholders registered at the draw.

Appointment of local advisory boards helps Carma monitor local market conditions and assist management in efficiently directing production toward the requirements of builders and residents in each area. The system has been successful in Calgary, Edmonton and Vancouver and a builder-shareholder organization was formed in Hamilton in 1975, attracting 30 builders. The number of builder-shareholders by area: (previous year in brackets) Calgary 42 (42), Edmonton 24 (19), Vancouver 26 (23), Hamilton 30 (0). Organization of a marketing pool is planned for 1976 in Prince George.

Calgary

Sales in Carma's northwest Calgary communities of Silver Springs and Varsity Estates again made a significant contribution to company income. Also significant was the sale of a number of multi-family sites in all areas under development. A total of 275 single-family lots were marketed in Silver Springs, bringing the total number of duplex and detached units in this now virtually completed subdivision to more than 1,800 since construction began in 1972. Seven multi-family sites were sold in 1975. Carma's golf-course community, Varsity Estates, was the site of the 1975 HUDAC Parade of Homes and sales in this area totalled 48 lots. A draw for the final group of lots in this choice community will be held in 1976.

Carma's sales target in the West Thorncliffe-North Haven communities was exceeded with completion of construction and marketing of both phases, involving 567 single-family lots and a multi-family AHOP project being developed by four Carma builder-shareholders. Construction of the 175.6-acre first phase of the Ranchlands West community, acquired in 1975, will begin in 1976. This property is adjacent to Carma's Crowchild Sector landholdings, a 1,280-acre parcel for residential development annexed to the city January 1, 1976.

Carma and its joint-venture partner, began development of two major new communities in southwest Calgary in 1975. Construction of services was completed in the first phases of Braeside Estates, four multi-family sites and 168 single-family lots were marketed in the first draw. A home show has been scheduled to open in the fall of 1976 to assist in marketing homes in The Woodlands community adjacent to the 2,600-acre Fish Creek Provincial Park in southwest Calgary.

Other Calgary sales included three multi-family sites in Huntington Hills and two in Dalhousie South and 16 single-family lots in PineRidge.

Acquisition of the joint-venture interest in Braeside Estates, The Woodlands and the Ranchlands West property resulted in a net increase of 301 acres to a total of 7,506 acres in Carma's Calgary land holdings.

Edmonton

Carma's major land transaction of the year took place in Edmonton. Carma purchased an undivided half interest in lands assembled by its co-ownership partner in Fort Saskatchewan and a portion of the Clareview neighborhood development in Edmonton, while its partner purchased an undivided half interest in lands assembled by Carma in Fort Saskatchewan. The net result is that each company now has an undivided one-half interest in 3,044 acres involved in these transactions. The Clareview lands are part of a 1,700-acre residential neighborhood under development in northeast Edmonton. The Fort Saskatchewan holdings include residential land in the Pineview neighborhood under current development as well as 2,450 acres proposed for residential expansion. The transaction

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1. and 2. Carma's St. Albert properties overlook the scenic Sturgeon River.

3. Site of the "Bonnet Ridge" community planned for development in Prince George.

4. Carma's tree planting equipment had a busy year in Calgary.

provides new balance to the company's Edmonton land holdings, allowing Carma early entry into development for the lower end of the market.

Twenty per cent of Edmonton's sales in 1975 involved lands for multi-family projects.

The Blue Quill community in southwest Edmonton became a key market area with the sale of 205 single-family lots. A home show, involving seven builder-shareholders, was opened in February, 1976, in Blue Quill.

Sale of 70 lots was recorded in the Braeside community in St. Albert and substantial progress has been made toward approval of plans for development of Carma's major adjacent land holdings in this attractive town on the Sturgeon River. Residents of St. Albert voted in favor of annexation of 6,000 acres of land to the town. Results of this plebiscite —a reversal of attitudes evident in many areas — indicate a positive development climate in the community.

The Belmead community, where eight lots were sold, was also the location for sale of two multi-family sites.

Carma's Edmonton land holdings now total 3,017 acres.

Hamilton

Builders in the Hamilton area responded in a gratifying way to Carma's entry into community development in Ontario. A pool of 30 builder-shareholders was formed in 1975, leading to a successful draw for lots in the company's Albion Estates project at Stoney Creek early in 1976. Construction of phase 1 of Albion Estates is now under way and the region has budgeted under Ontario Housing Action Plan for construction of a trunk sewer which will clear the way for development of phase 2. Ontario land holdings were unchanged at 466 acres.

Prince George

Carma made significant progress in negotiation of development approvals for its Prince George land holdings. It is planned to market Carma's 59 lots in the Foothills subdivision in mid-1976. Construction of services is now under way. The planning process for the "Bonnet Ridge" community is proceeding on schedule. In addition to this 608-acre parcel, Carma owns 160 acres in the area known as Cranbrook Hill for future development. It is intended to organize a Prince George marketing pool in 1976.

Vancouver

Builders have adopted an optimistic view of 1976 market prospects in the Vancouver area following a decline in statistics in 1975. There was evidence of a build-up of demand in most segments of the market at the end of 1975. Carma's subsidiary, Sur-Del Builders Development Ltd., completed construction of services in its Glen Robertson South community in Surrey and has initiated positive discussions with the municipality concerning the planning of innovative housing projects. Sur-Del sales in 1975 included 62 lots in Glen Robertson South and nine in Newton Glen.

Carma's Vancouver district recorded sales of 94 single-family lots in the Wildwood Park community at Pitt Meadows. An additional 68 lots are being serviced in the Maple Ridge community. A lot shortage is indicated in the Vancouver area and good demand is expected for the relatively small inventory now being held in that area. Carma's land holdings were increased to 339 acres from 320.

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1. Higher density projects were increasingly prominent in new Carma communities.

2. Carma's commercial division was formed in 1975. Joe Combe and Roy Wilson join Barry Wong, Vice-President, Commercial; Bill Morrison, project manager, and consultant Colin Lawson at future shopping centre site.

3. Carma's Blue Quill home show in southwest Edmonton was a major public success.

Financial Review

1975 was an outstanding year for Carma Developers Ltd. with record revenue levels and record net income being attained. Total revenue approached $40 million, up 59 per cent from 1974 levels, and net income increased 88 per cent to $7,266,000.

The Company's total assets exceeded $100 million at year end for the first time in corporate history. The appraised value of Carma's land bank of 12,110 acres approached $200 million.

This appraised value resulted in a year-end appraisal increment of $113 million, an increase of 60 per cent over the 1974 increment; such increase indicating considerable up-grading of the Company's land bank holdings.

Shareholder's equity totalled $23,282,000 at December 30, 1975; an increase of more than $8 million from the prior year-end and resulted from earnings retained within the Company and increased paid in capital. This shareholder equity total gives a book value break-up figure of $8.72 per common share outstanding at December 30, 1975. However, in the opinion of management and based on the appraised value of the Company's land holdings and allowing for income tax on such appraisal excess, the break-up value of Carma's common stock is approximately $30 per share.

Reorganization of the Company's capital structure, as follows, was approved September 3, 1975 at a special general meeting of shareholders:

(a) Authorized capital of the Company was increased from 3 million to 6 million no-par-value common shares;

(b) Common shares were reclassified into 3 million Class A convertible common and 3 million Class B convertible common shares, ranking equally in all respects except that directors have the right to declare a tax-free dividend on the Class B common shares within the provisions of the Income Tax Act, and

(c) Common shares of the Company were split on the basis of issuance of three common shares for each two common shares held prior to the split.

Also during 1975, the Board of Directors approved a dividend policy which, subject to financial position of the Company, provides for payment of quarterly dividends. In implementation of this policy, Carma paid a regular quarterly dividend of 10 cents per Class A convertible common share and 8-½ cents per Class B convertible common share on October 15, 1975, and February 16, 1976.

The Company's bank line of credit was increased to more than $20 million and additional capital sources are being explored.

Carma is confident as it enters 1976 that the financial resouces and capabilities are available to sustain the growth pattern established in prior years.

Auditor's Report

To the Shareholders
of Carma Developers Ltd.

We have examined the consolidated balance sheet of Carma Developers Ltd. and its subsidiary companies as at December 30, 1975 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Carma Developers Ltd. and its subsidiary companies as at December 30, 1975 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winspear Higgins Stevenson & Co.

Calgary, Alberta
February 24, 1976.

Chartered Accountants.

Carma Developers Ltd. and Subsidiary Companies

Consolidated Statement of Income and Retained Earnings

Year Ended December 30, 1975

	1975	1974
Revenue		
Sale of residential land	$29,821,000	$19,255,000
Sale of commercial, high density and undeveloped acreage	7,569,000	4,273,000
Interest and other	2.097,000	1,361,000
Total revenue	39,487,000	24,889,000
Expenses		
Cost of residential land sold	18,438,000	12,639,000
Cost of commercial, high density and undeveloped acreage sold	3,161,000	1,795,000
Administrative and general	1,882,000	1,216,000
Interest (Note 11)	1,881,000	1.086,000
Depreciation and amortization	75,000	72,000
Total expenses	25,437,000	16,808,000
Net income before income taxes	14,050,000	8,081,000
Income taxes	6,784,000	4,210,000
Net income	7,266,000	3,871,000
Retained earnings, beginning of year	12,189,000	8,480,000
	19,455,000	12,351,000
Dividends paid	267,000	162,000
Retained earnings, end of year (Note 16)	$19,188,000	$12,189,000
Earnings per share (Note 14)		

The accompanying notes form part of this statement.

Carma Developers Ltd. and Subsidiary Companies

Consolidated Balance Sheet

December 30, 1975

ASSETS	1975	1974
Cash and deposit receipts	$ 1,249,000	$ 619,000
Receivables		
Trade, secured by agreements for sale maturing within one year	18,303,000	9,592,000
Agreements on commercial and high density land (Note 3)	6,415,000	2,650,000
Accrued interest and other	1,538,000	1,690,000
Land, developed and under development (Notes 4 and 6)	10,126,000	8,457,000
Prepaid expenses and deposits	85,000	178,000
Land held for future development (Notes 5 and 6)	64,653,000	40,718,000
Land, buildings and equipment, at cost less accumulated depreciation $163,000; 1974 - $106,000	992,000	850,000
Deferred financing costs, less amortization $32,000; 1974 - $23,000	62,000	71,000
	$103,423,000	$64,825,000

ON BEHALF OF THE BOARD

J. Combe Director

Roy Wilson Director

The accompanying notes form part of this statement.

LIABILITIES	1975	1974
Bank indebtedness (Note 7)	$ 2,668,000	$ 2,125,000
Payables and accruals (Note 8)	10,618,000	9,083,000
Option deposits	308,000	39,000
Income taxes payable	2,112,000	1,699,000
Payable on land under development	449,000	347,000
Long term debt (Note 9)	54,518,000	31,645,000
Deferred income taxes	9,468,000	5,215,000
	80,141,000	50,153,000
Contingent (Note 13)		
SHAREHOLDERS' EQUITY		
Share capital (Note 10)		
Authorized - not to exceed $6,000,000		
3,000,000 Class A convertible common shares without nominal or par value		
3,000,000 Class B convertible common shares without nominal or par value		
Issued and outstanding		
1,033,746 Class A convertible shares and		
1,635,975 Class B convertible shares		
(1974 - 2,427,503 Class A convertible shares)		
for a consideration of	4,083,000	2,472,000
Contributed surplus	11,000	11,000
Retained earnings (Note 16)	19,188,000	12,189,000
	23,282,000	14,672,000
	$103,423,000	$64,825,000

Carma Developers Ltd. and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

Year Ended December 30, 1975

	1975	1974
Cash was provided by		
Operations		
Net income	$ 7,266,000	$ 3,871,000
Items not requiring the outlay of cash		
Depreciation and amortization	75,000	72,000
Deferred income taxes	4,253,000	1,016,000
	11,594,000	4,959,000
Decrease in prepaid expenses and deposits	93,000	171,000
Increase in bank indebtedness	543,000	1,935,000
Increase in payables and accruals	1,535,000	1,127,000
Increase in option deposits	269,000	—
Increase in income taxes payable	413,000	93,000
Increase in term bank loans	9,130,000	2,714,000
Issue of common shares	1,611,000	70,000
	25,188,000	11,069,000
Cash was used for		
Increase in trade and other receivables	8,559,000	460,000
Increase in agreements on commercial and high density land	3,765,000	880,000
Increase in investment in land and utility costs	10,159,000	8,985,000
Increase in buildings and equipment	208,000	15,000
Decrease in option deposits	—	129,000
Decrease in 8% subordinated convertible debentures	1,600,000	36,000
Dividends paid	267,000	162,000
	24,558,000	10,667,000
Increase in cash and deposit receipts	$ 630,000	$ 402,000

The accompanying notes form part of this statement.

Notes to Consolidated Financial Statements

December 30, 1975

1. Accounting policies

The Company's accounting policies are in accordance with the recommendations of the Canadian Institute of Chartered Accountants which are substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies.

(a) Income recognition
Land sold is recognized as income for accounting purposes on the date on which title to the land passes on closing of the sale. Land sold by way of an agreement for sale is recognized as income when the agreement for sale is duly executed and delivered. In both cases, income is recognized only when the Company has received a cash down payment of not less than fifteen per cent.

(b) Land costs
The Company determines the cost of developed lots sold and unsold as follows:
(i) Undeveloped land cost is prorated on an acreage basis in each phase of a subdivision under development.
(ii) Servicing costs are estimated and prorated on a front footage basis in each phase of a subdivision under development.
(iii) Upon the substantial completion of each phase of a subdivision under development any difference between actual and estimated servicing costs is recognized by way of adjustment in the accounts.
(iv) Each phase of a subdivision under development is treated as a complete development area.

(c) Capitalization of costs
The Company capitalizes the following as a part of the cost of land held for future development:
(i) Interest on agreements relating directly to the acquisition of land held for future development.
(ii) Real estate taxes on land held for future development.
(iii) Interest on general long term debt borrowing deemed applicable to the Company's investment in land held for future development.
(iv) Other direct costs applicable to land held for future development, including administrative overhead, commissions, legal fees, soil testing and engineering studies.

(d) Deferred income taxes
The Company records income taxes on the tax allocation basis. Deferred income taxes result primarily from:
(a) The treatment of
  (i) Utility costs expended on the development of subdivisions in relation to cost of sales recorded in the accounts,
  (ii) Certain carrying costs related to land held for future development,
  (iii) The deferred portion of financing costs, and
(b) The recognition of profits for income tax purposes from land sales when the balance of the purchase price is due after the end of the year.

2. Principles of consolidation and accounting presentation

The consolidated financial statements include:

(i) The assets and liabilities and results of operations of all of the Company's subsidiaries and,

(ii) The proportionate share of assets, liabilities, income and expense and commitments of the Company's interest in unincorporated joint ventures. The Company has a 50 per cent interest in all joint ventures to which it is a party.

3. Agreements on commercial and high density land

The agreements for sale on commercial and high density land yield interest at varying rates up to 13 per cent. Principal payments due on these agreements are as follows:

1976	$3,465,000
1977	2,252,000
1978	325,000
1979	73,000
1980	25,000
Subsequent to December 30, 1980	275,000
	$6,415,000

4. Land, developed and under development

	1975	1974
Land, developed and under development, at total estimated cost	$12,780,000	$11,227,000
Deduct: Estimated costs to complete	2,654,000	2,770,000
Land, developed and under development, at cost to date	$10,126,000	$ 8,457,000

5. Land held for future development

Land held for future development, including option deposits, is stated at the lower of cost or market, and includes the following:

	1975	1974
Land and option deposits	$57,599,000	$36,900,000
Interest	3,123,000	2,024,000
Development costs	2,889,000	1,164,000
Taxes, professional fees and commissions	748,000	506,000
General and administrative expenses	294,000	124,000
	$64,653,000	$40,718,000

To acquire the land under option, an additional expenditure of $7,054,000 (1974 - $10,781,000) will be required. During the year $2,043,000 (1974 - $1,697,000) was charged to land held for future development for interest, taxes, professional fees and commissions and general and administrative expenses.

6. Land appraisal

The Company's land was appraised as at December 30, 1975 and December 30, 1974 by J.C. Leslie & Co. Ltd., Appraisers and Real Estate Consultants. The results of these appraisals are as follows:

	1975	1974
Appraised value		
Land, developed and under development	$ 26,477,000	$ 27,297,000
Land held for future development	168,150,000	104,683,000
Total appraised value	$194,627,000	$131,980,000
Appraisal increment		
Excess of appraised value of land developed and under development over total cost thereof	$ 13,697,000	$ 16,070,000
Excess of appraised value of land held for future development over total cost thereof, excluding development costs	99,332,000	54,348,000
Total appraisal increment	$113,029,000	$ 70,418,000

The appraisals include no provision for selling and administrative expenses related to the sale of the appraised land.

7. Bank indebtedness

The bank indebtedness is secured by a general assignment of receivables and a first floating charge demand debenture. Details of this debenture are described in Note 9.

8. Payables and accruals

	1975	1974
Trade and other payables	$ 6,213,000	$ 5,592,000
Accrued development costs on land sold	4,405,000	3,491,000
	$10,618,000	$ 9,083,000

9. Long term debt

Payable on land held for future development		
Agreements of purchase and mortgages payable at interest rates varying up to 12.5% per annum	$36,179,000	$20,836,000
Term bank loans		
The term bank loans, bearing interest at 2 per cent over the prime rate, are secured by first floating charge demand debentures on all the assets of the Company.		
These debentures secure a total line of credit of $21,735,000. Of this amount, $4,735,000 has been allocated to current operating loan requirements. The remaining $17,000,000 has been allocated to provide the Company with term bank loans of $12,000,000 U.S. and $5,000,000 Canadian funds.		
The term bank loans are repayable over a period of five years at a maximum annual repayment of $3,400,000.	17,324,000	8,194,000

9. Long term debt (continued)

	1975	1974
8% Subordinated convertible debentures, Series C The Series C debentures are secured by a floating charge on all the assets of the Company which ranks second to the security of the bank loans as described in this Note. Series C debentures totalling $665,000 (1974 - $1,625,000) mature March 1, 1979. The remaining Series C debentures of $350,000 (1974 - $990,000) are convertible into Class A common shares of the Company at any time up to March 1, 1976 on the basis of 3 Class A common shares for each $20 of debenture principal, are callable any time after March 1, 1976 and mature March 1, 1980. During the year, Series C debentures with a total value of $1,600,000 (1974 - $36,000) were converted into Class A common shares of the Company (Note 10)	1,015,000	2,615,000
	$54,518,000	$31,645,000

Principal payments due on long term debt are as follows:

1976	$12,664,000
1977	9,694,000
1978	7,353,000
1979	9,879,000
1980	7,284,000
Subsequent to December 30, 1980	7,644,000
	$54,518,000

10. Share capital

(a) At a Special General Meeting of Shareholders held on September 3, 1975 the shareholders approved an increase in the authorized capital of the Company from 3,000,000 common shares without nominal or par value to 3,000,000 Class A convertible common shares without nominal or par value and 3,000,000 Class B convertible common shares without nominal or par value. The shares outstanding at that time were converted to Class A shares. The Class A and B shares are fully interchangeable.

In addition, the shareholders approved a share split, whereby a holder of two existing common shares was deemed to hold two Class A convertible common shares and was issued one additional Class A convertible common share. Reference to shares in these financial statements give effect to the three for two share split.

(b) During the year 2,250 Class A shares (1974 - 7,275 Class A shares) were issued pursuant to the Company's stock option plan for $11,000 (1974 - $34,000). An additional 239,969 Class A shares (1974 - 5,336 Class A shares) were issued on the conversion of Series C debentures on the basis of 3 Class A shares for each $20 of debenture principal.

(c) The Company has a stock option plan under which options on 61,935 Class A shares are outstanding as at December 30, 1975 (1974 - 64,185). These options have been granted to senior officers and employees and are exercisable to July 31, 1981 at prices varying from $4.80 per share to $6.00 per share.

10. Share capital (continued)

(d) 52,529 (1974 - 392,204) of the Company's Class A shares are reserved for the conversion of $350,000 (1974 - $2,615,000) of the Series C subordinated convertible debentures described in Note 9.

11. Interest

	1975	1974
Interest on long term debt and bank demand loans	$3,557,000	$2,433,000
Less: Interest applicable to land held for future development	1,676,000	1,347,000
Interest expense	$1,881,000	$1,086,000

12. Remuneration to directors and senior officers

The aggregate direct remuneration of directors and senior officers amounted to $323,000 (1974 - $247,000) for the year ended December 30, 1975 which amount included $26,000 (1974 - $15,000) in directors' fees.

13. Contingent liabilities and commitments

The Company is committed to spend an estimated $2,654,000 to complete subdivisions under development (Note 4). These commitments arise from development agreements entered into with municipal governments.

The Company is contingently liable with respect to letters of guarantee issued by chartered banks totalling $3,978,000. The letters of guarantee have been issued in lieu of performance deposits.

14. Earnings per share

	1975	1974
Earnings per share	$2.82	$1.60
Fully diluted earnings per share	$2.78	$1.37

Earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the year.

Fully diluted earnings per share have been calculated as though the shares related to the conversion of $350,000 (1974 - $2,615,000) of Series C debentures, the exercise of stock options and the issuances of shares during the year had actually been issued at the beginning of the year. Earnings have been imputed at 8 per cent per annum before income taxes on the cash that would have been received had the above occurred. Interest expense was reduced with respect to the interest on these debentures that was not capitalized.

Earnings per share for 1974 is restated to reflect the issue of three shares for each two shares that were held by shareholders on September 3, 1975 (Note 10).

15. Subsequent events

On March 1, 1976, 8% Series C subordinated convertible debentures totalling $350,000 were surrendered for cancellation and conversion into Class A common shares of the Company on the basis of 3 Class A common shares for each $20 of debenture principal converted. Accordingly an additional 52,529 Class A common shares were issued.

16. Dividend restriction

Based on the Company's present quarterly dividend policy, the payment of dividends in 1976 is limited to $0.40 per Class A common share and $0.34 per Class B common share in accordance with the Anti-Inflation Act and Regulations.

Consolidated Financial Review

RESULTS OF OPERATIONS	1975	1974	1973	1972	1971
Total revenue	$ 39,487,000	$ 24,889,000	$ 20,688,000	$ 17,360,000	$ 8,258,000
Net income before income taxes	$ 14,050,000	8,081,000	6,090,000	4,784,000	1,573,000
Net income	$ 7,266,000	3,871,000	3,002,000	2,467,000	798,000
Net income per share (1)(2)	$ 2.82	1.60	1.24	1.13	0.41
Fully diluted net income per share (1)(2)	$ 2.78	1.37	1.05	0.93	0.41
Dividends per share (1)	$ 0.10	0.066			
FINANCIAL POSITION					
Land, developed and undeveloped	$ 74,779,000	49,175,000	30,456,000	12,616,000	11,004,000
Total assets	$ 103,423,000	64,825,000	44,591,000	23,522,000	15,959,000
Long term debt	$ 54,518,000	31,645,000	19,229,000	6,774,000	3,903,000
Shareholder's equity	$ 23,282,000	14,672,000	10,893,000	7,863,000	3,027,000
Book value per share (1)	$ 8.72	6.04	4.51	3.61	1.57
Average number of shares outstanding (1)	2,574,371	2,424,144	2,412,252	2,180,083	1,932,750

(1) Calculated giving effect to the three for two share split of September, 1975.

(2) Based on average number of shares outstanding during the year.

Carma Land Holdings

The following pages illustrate land holdings of Carma and its subsidiaries in Calgary, Edmonton, Vancouver, Prince George and Hamilton areas.

Acreage totals listed on each map include Carma's 50 per cent share in joint venture and co-ownership properties, which are shown in their entirety on the maps. The maps are drawn to illustrate the general area of Carma's holdings in relation to the various urban areas and are not done to scale.

Hamilton

George Barclay, Projects Manager, and Eric Vincent, District Manager, at Albion Estates construction site, Hamilton.

Area under development and land held by Carma for future development: 345 acres, Hamilton, and 120 acres, Oakville.

Land under control of Carma now being held for future development.

Communities presently being developed and marketed by Carma.

Subdivisions that have been developed and sold by Carma and its subsidiaries since incorporation.

Greater Vancouver Area

Maple Ridge

Delta

Pitt Meadows

District of Surrey

On site at the Glen Robertson South community project, Surrey, are Ernie Hnatiuk, Projects Manager Sur-Del Builders Development Ltd.; Bryan Winspear, Carma's Vancouver District Manager, and George Greenwell, Manager of Sur-Del.

Area under development and land held by Carma for future development: 339 acres.

Land under control of Carma now being held for future development.

Communities presently being developed and marketed by Carma.

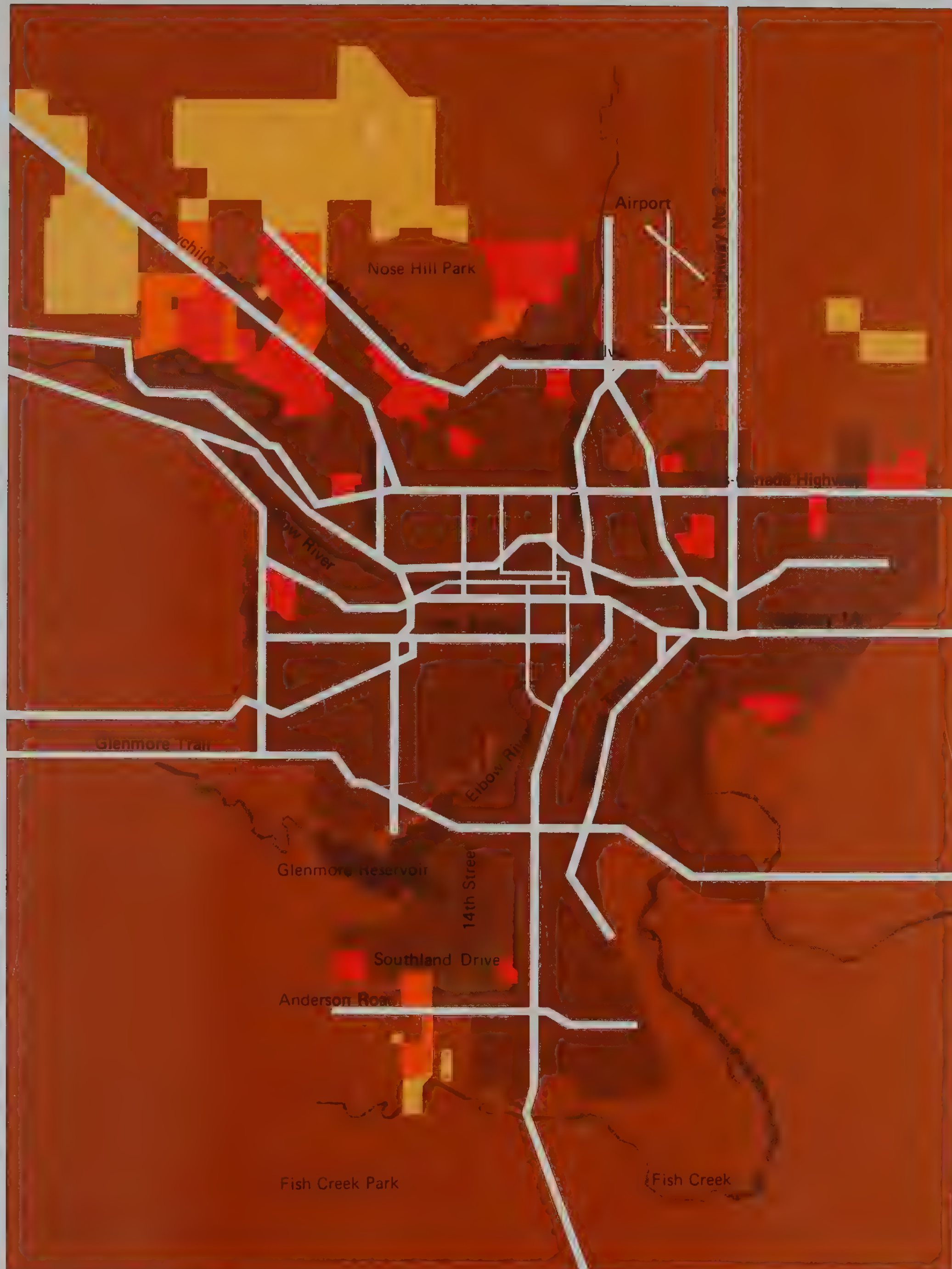
Subdivisions that have been developed and sold by Carma and its subsidiaries since incorporation.

Prince George

District manager, Rudy Koop, at work in his Prince George office.

Land under development and held for future development: 783 acres.

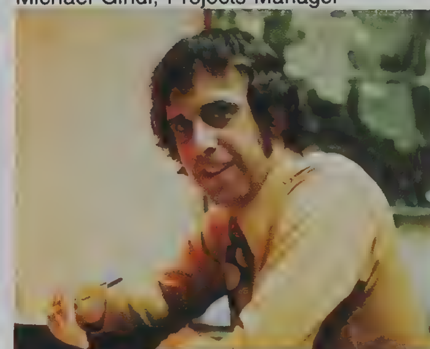
Calgary



Area under development and land held by Carma for future development: 7,506 acres.

Carl Cheverie, District Manager

Michael Gindl, Projects Manager



Frank Boyd, District Manager

Gary Young, Projects Manager

Edmonton

Area under development and land held by Carma for future development: 3,017 acres.

Land under control of Carma now held for future development.

Communities presently being developed and marketed by Carma.

Subsidiaries that have been developed and sold by Carma and its subsidiaries since incorporation.

District Manager Art Mellish, Rudy Janzen, Vice-President - Edmonton, and District Manager Pat Payne at the Blue Quill development site.

Shown standing are R.F. Leland, Vice-President - Finance and Roy Wilson, President. Seated are C.J. Combe, Vice-Chairman of the Board and Chief Executive Officer; R.T. Scurfield, chairman of the Board and Howard Ross, Director. The latter four form Carma's Executive Committee.

Corporate Directory

1975 Officers and Directors

R. T. Scurfield
Chairman and Director
President Nu-West Development Corporation Ltd.

C. J. Combe
Vice-Chairman, Chief Executive Officer and Director
President Ebmoc Management Ltd.

Roy Wilson
President and Director

L. R. Bourne
Director
President Van-Bourne Homes Ltd.

*George Heywood
Director
Retired partner
Richardson Securities Ltd.

S. K. Hooper
Director
President Stanton Developments Ltd.

Vern Mross
Director
Vice-President Nu-West Development Corporation Ltd.

Howard Ross
Director
President Britannia Homes Ltd.

Klaus Springer
Director
President Springer Construction Ltd.

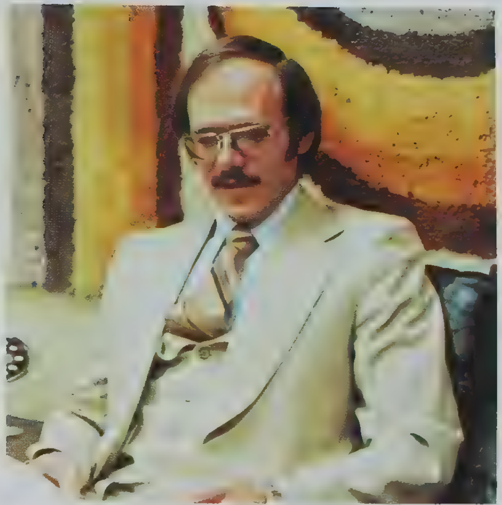
A. M. Usselman
Director
President Anton Developments Ltd.

S. H. Wood, Q.C.
Director
Partner, MacKimmie, Matthews

R. F. Leland
Secretary-Treasurer

*Deceased


1.


2.


3.


4.

1. Gary Reed, Vice-President - Calgary.
2. Rudy Janzen, Vice-President - Edmonton.
3. Barry Wong, Vice-President, - Commercial.
4. R.F. Leland, Vice-President - Finance.

Appointed in 1976.

Builder-Shareholders

Calgary: A.B. Custom Designers Ltd.; Art Rempel Homes Ltd.; Britannia Homes Ltd.; Bamlett Construction Ltd.; B & H Homes Ltd.; Boldt, Gerhard; Built-Rite Developers Ltd.; Built-Rite Homes Ltd.; Dania Realty Ltd.; Engineered Homes Ltd.; F. Kuran Construction Ltd.; G. Janssen Homes Ltd.; Helen Jager Homes, Division of Sterling Real Estate (Calgary) Ltd.; Hewitt, Gordon J.; J.K. Built Homes Ltd.; John Penner Construction Ltd.; Koltes Construction Ltd.; Kvellestad N. & L.; Lietz Construction; Master Craft Homes Ltd.; Mizera Construction Co. Ltd.; Neufeld Construction Ltd.; Nu-West Development Corporation Ltd.; Otto Bartel Homes Ltd.; Palace Homes Ltd.; Palace Builders Ltd.; Paragon Homes Ltd.; Park Place Projections Ltd.; Qualico Developments Ltd.; Rempel Construction Ltd.; Rempel, Victor; Semon & Lucas Construction Ltd.; Spindler Construction Ltd.; Spindler Homes Ltd.; Springer Construction (Calgary) Ltd.; Wm. Lange Construction Ltd.; R. Wiebe Construction Ltd.

Edmonton: Ace Lange Construction Ltd.; Alldritt Construction Ltd.; Amrin Investments Ltd.; Bestlands Development (Alberta) Ltd.; Boychuck Construction Ltd.; Cairns Homes Ltd.; Candlelight Homes Ltd.; Delwood Construction & Developments Ltd.; Ekert & Smith Construction Ltd.; Engineered Homes Ltd.; J. Schouten & Sons Contractors Ltd.; Leamac Industrial Developments Ltd.; Len Perry Homes (Edmonton) Ltd.; Marlo Homes Ltd.; Nu-West Development Corporation Ltd.; Oakland Homes Ltd.; Qualico Developments Ltd.; S.C. Anderson Developments Ltd.; Schaaf Brothers Construction Ltd.; Skylark Construction Ltd.; Springer Construction (Edmonton) Ltd.; Stanton Developments Ltd.; Wayne Homes Ltd.

Vancouver: Allankay Construction Ltd.; Bourne, L.R.; Bracco Homes Ltd.; Engineered Homes Ltd.; G. Bartel Builder Contractor Ltd.; Helmer, E.B.; Hill Developers Ltd.; Hoing Construction Ltd.; J. Bright Holdings Ltd.; J. Penner Construction Ltd.; Jacobsen, G.; Merriam, C,; Neal's Construction Ltd.; Nu-West Mortgage & Investments Ltd.; Ozols, V.; Pearce Construction Ltd.; Peterson, G.; Plaza Construction Ltd.; Qualico Developments Ltd.; Ridgewood Construction Ltd.; Sidney Devries Cement Contracting Ltd.; Schmid Brothers Construction Ltd.; Sparks, V.; Springer Construction Ltd.; Sun-Del Developments Ltd.

Divisional Advisory Boards

Calgary: Al Hill, Vern Mross, Gary Reed, Art Rempel, Howard Ross, Klaus Springer, A.M. Usselman.

Edmonton; Eric Albrecht, S.K. Hooper, Rudy Janzen, Dave Jenkins, Louis Schaaf, Art Staniland.

Hamilton: G.H. James, S.E. Johnson, W.J.C. Mitchell, G.R. Stanger.

Vancouver: Larry Bourne, Eric Helmer, Denny Pearce, Gary Santini, Walt Schmid, Neal Vandergugten.

Prince George: Robert Bassett, Howard Ross.

The Chairman, Vice-Chairman and President are voting members of all advisory boards.

Subsidiary Companies

Sur-Del Builders Development Ltd.; Carma Developers (Edmonton) Ltd.; Vandevco Development Ltd.; Carma Developers (Realty) Ltd.; Carma Developers (Ontario) Ltd.

Auditors: Winspear Higgins Stevenson & Co.
Transfer Agent: Montreal Trust Co.

Shares Listed: Toronto Stock Exchange
Alberta Stock Exchange

Printed in Canada
Northwest Printing & Lithographing Ltd

Carma Developers Ltd. and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

(Unaudited)

Six months ended June 30, 1975 and 1974

	1975	1974
SOURCE OF CASH:		
Operations		
Net income for the period	$1,738,000	$1,567,000
Items not requiring the outlay of cash		
Depreciation and amortization	36,000	42,000
Write-off of portion of excess cost of subsidiary companies over book value thereof	–	51,000
Deferred income taxes	1,771,000	–
Cash provided from operations	3,545,000	1,660,000
Decrease in trade and other receivables	126,000	–
Increase in term bank loan	5,190,000	1,191,000
Increase in option deposits	687,000	(124,000)
Issue of common shares	964,000	65,000
Decrease in prepaid expenses	60,000	(178,000)
Change in other assets and liabilities (net)	–	35,000
	10,572,000	2,649,000
APPLICATION OF CASH:		
Increase in agreements for sale on commercial land	1,037,000	(325,000)
Increase in investment in land and utility costs	3,575,000	3,617,000
Increase in trade and other receivables	–	2,912,000
Increase in buildings and equipment	69,000	234,000
Decrease in bank indebtedness	1,183,000	(2,360,000)
Decrease in payables and accruals	955,000	(1,952,000)
Decrease in income taxes payable	2,237,000	743,000
Conversion of Series C debentures	960,000	30,000
	10,016,000	2,899,000
Increase (decrease) in cash	$ 556,000	$(250,000)

Head Office: 1700 Varsity Estates Drive N.W., Calgary, Alta. **Regional Offices**: 11104 - 107 Avenue, Edmonton, Alta.; 8306 - 120 Street, Surrey, B.C.; Suite 510 Scotia Bank Bldg., 1488 - 4th Ave., Prince George, B.C.; 11 Hess Street South, Hamilton, Ont. **Auditors**: Winspear Higgins Stevenson & Co. **Transfer Agent**: Montreal Trust Co. **Shares Listed**: Toronto Stock Exchange.

COVER: Contours symbolic of the land development industry. From the mural at Carma head office, Calgary.

PRINTED IN CANADA

Progress report to shareholders for six months ended June 30, 1975.

Carma Developers Ltd.

Carma Developers Ltd. and Subsidiary Companies

Consolidated Statement of Income

(Unaudited)

Six months ended June 30, 1975 and 1974

	1975	1974
Revenue:		
– Residential sales	$9,490,000	$10,418,000
– Commercial, high density and undeveloped acreage	1,456,000	678,000
– Other	741,000	509,000
Total revenue	11,687,000	11,605,000
Expenses:		
– Cost of residential sales	5,683,000	7,361,000
– Cost of sales of commercial, high density and undeveloped acreage	669,000	393,000
– Administrative and general	968,000	394,000
– Interest	822,000	118,000
– Depreciation and amortization	36,000	93,000
Total expenses	8,178,000	8,359,000
Income before provision for income taxes	3,509,000	3,246,000
Income taxes	1,771,000	1,679,000
Net income for the period	$1,738,000	$1,567,000
Average number of common shares outstanding	1,682,698	1,614,063

	1975		1974	
	No Dilution	Full Dilution	No Dilution	Full Dilution
Net income per common share	$1.03	$0.92	$0.97	$0.83
Cash flow per common share	$2.11	$1.86	$1.03	$0.88

To the shareholders.

Carma Developers Ltd. concluded the first half of 1975 with increases in both total revenue and earnings over the same period of 1974. Prospects for the second half are also excellent with outstanding options totalling $12.7 million at the half, the majority of which are expected to be converted to sales in the third and fourth quarters. In addition, third-quarter lot draws are also scheduled in Calgary, Edmonton and Vancouver.

Your company recorded net income of $1,738,000 or $1.03 per share from total revenue of $11,687,000 in the six months ended June 30, 1975. This compares to net income of $1,567,000 or 97 cents per share from revenue of $11,605,000 in the first half of 1974. Cash flow was $2.11 per share compared to $1.03 in the same period of 1974.

The Board of Directors, meeting July 23, approved a dividend policy which, subject to the financial position of the company, will provide for future payment of quarterly dividends. In implementation of this policy, the Board of Directors declared a dividend of 15 cents per common share, based on shareholdings prior to an intended share split, payable on Oct. 15, 1975, to shareholders of record as at the close of business on Oct. 1, 1975.

A Special General Meeting of Shareholders has been scheduled for 2 p.m., Wed., Sept. 3, at Carma Developers Ltd., 1700 Varsity Estates Drive N.W., Calgary, for the purpose of approval of the following changes to the company's capital structure:

(a) Increasing the authorized capital of the company from 3 million to 6 million no par value common shares:

(b) Reclassifying the common shares into 3 million Class A convertible common and 3 million Class B convertible common shares ranking equally in all respects except that directors would have the right to declare a tax free dividend on the Class B common shares within the provisions of the Income Tax Act, and

(c) Splitting the issued common shares of the company on the basis of issuance of three common shares for each two common shares presently held.

The Local Authorities Board of Alberta reversed its previous decision and in July, 1975, ordered annexation to the City of Calgary of 2,400 acres of land at the northwest city limits. The area contains 1,280 acres of Carma-controlled land proposed for residential development.

We wish to emphasize the importance of the role played by members of Carma's Divisional Advisory Boards in the continued success of your company. The boards provide management with important local insight and broadly-based experience in all aspects of the development process.

Calgary Divisional Advisory Board: C.J. Combe, Al Hill, Werner D. Mross, Gary Reed, Art Rempel, Howard Ross, R.T. Scurfield, Klaus Springer, A.M. Usselman, Roy Wilson.

Edmonton Divisional Advisory Board: Eric Albrecht, C.J. Combe, S.K. Hooper, Rudy Janzen, Dave Jenkins, Louis Schaaf, R.T. Scurfield, Art Staniland, Roy Wilson.

Hamilton Divisional Advisory Board: C.J. Combe, G.H. James, S.E. Johnson, W.J.C. Mitchell, R.T. Scurfield, G.R. Stanger, Roy Wilson.

Vancouver Divisional Advisory Board: Larry Bourne, C.J. Combe, Eric Helmer, Denny Pearce, Gary Santini, Walt Schmid, R.T. Scurfield, Neal Vandergugten, Roy Wilson.

Prince George Divisional Advisory Board: Robert Bassett, C.J. Combe, Howard Ross, R.T. Scurfield, Roy Wilson.

We are confident that this system of providing local knowledge and experience will play a substantial role in assuring the continued success of your company's community developments throughout Canada.

Roy Wilson,
President